

A meeting of the executive committee of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System on Tuesday, November 30, 1948, at 9:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Williams
Mr. Young (alternate for Mr. Sproul)

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager of the System Open Market Account
Mr. Riefler, Assistant to the Chairman, Board of Governors
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on October 4, 1948, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account as reported to the members of the executive committee for the period October 4 to November 29, 1948, inclusive, were approved, ratified, and confirmed.

Chairman McCabe outlined briefly the developments since the meeting of the Federal Open Market Committee on November 15, 1948, in connection with the suggestion contained in the letter

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to the Secretary of the Treasury approved at that meeting that a study be undertaken of a comprehensive long-term program looking toward refinancing of the public debt including the refunding of some of the outstanding debt into issues and maturities that the market would carry without undue reliance upon Federal Reserve support. He said that the Secretary had agreed to have members of his staff discuss the matter informally with members of the staff of the Federal Open Market Committee with a view to the formulation of a program for consideration by the Treasury and the Committee.

Mr. Rouse reviewed in some detail information which had come to him with respect to a proposed reorganization of Blair & Co., Inc., one of the dealers in New York City with which the Federal Reserve Bank of New York transacted business for the System open market account. He stated that, because of developments which raised questions as to the future management of the Company, the capital that would be available for its Government security business, and whether the Company would otherwise continue to meet the approved terms on which the Federal Reserve Bank of New York will do business for the System account, he had told the management that until these questions were cleared up the Federal Reserve Bank of New York would transact no further business with the Company. The members of the executive committee expressed concurrence in the action that Mr. Rouse had taken.

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Mr. Rouse then stated that following the meeting of the Federal Open Market Committee on November 15, 1948, Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, called to ask what his (Mr. Rouse's) instructions were with respect to the rate on Treasury bills. He said he told Mr. Bartelt what these instructions were and that Chairman McCabe had discussed the matter quite fully with Secretary Snyder. Last week, Mr. Rouse said, Mr. Bartelt called again and, in response to his inquiry, was informed that the instructions had not been changed. He added that he was reporting this matter to the executive committee as it indicated that there might be some feeling of sensitiveness on the part of the Treasury with respect to the System's operations in bills.

Chairman McCabe stated that he had told Secretary Snyder that the Federal Open Market Committee was seeking a free market in bills and was working toward that end in its bill operations.

Mr. Rouse said that perhaps one of the reasons why the Treasury was retiring bills each week rather than purchasing securities held by the Federal Reserve Banks as recommended by the Federal Open Market Committee, was that such action might reduce the volume of bills to a point where the bills outstanding would be carried by the market without Federal Reserve support.

Following a discussion, members of the committee indicated approval of the manner in which the bill market was being handled

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by the Federal Reserve Bank of New York and expressed the opinion that at least for the present the existing policy should be continued.

Mr. Rouse stated that the present arrangement under which the Treasury retires bills each week should not become rigid for the reason that a considerable volume of funds would be coming into the Treasury during the first quarter of next year and that at that time, depending on conditions, there might be other ways in which these funds could be used more effectively than in the retirement of bills.

Chairman McCabe raised for discussion the question which had been considered previously whether the Federal Open Market Committee might discontinue paying a premium of 8/32 on the longest-term restricted issues and a premium of 1 point on the longest-term bank eligible issue. He stated that, at a recent meeting, the Federal Advisory Council had expressed the view that the levels at which Government securities were supported by the System should be lowered to eliminate these premiums and that in his visits to the Federal Reserve Banks substantially the same view had been expressed by bankers with whom he had met.

This question was discussed in some detail and it was the view of the members of the committee that such action should not be taken now for the reason that the possible loss of confidence

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in the support policy and other disadvantages would far outweigh any benefits that might be obtained. It was understood that there would be further discussion of the matter at the meeting of the full Committee which was to follow immediately.

Thereupon the meeting recessed to reconvene following the meeting of the Federal Open Market Committee.

Chester Morrie
Secretary.

Approved:

Thomas B. Lu: Calue
Chairman.

The meeting of the executive committee of the Federal Open Market Committee reconvened at 12:15 p.m., November 30, 1948.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Williams
Mr. Young (alternate for Mr. Sproul)

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager of the System Open Market Account
Mr. Riefler, Assistant to the Chairman Board of Governors
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. T. L. Smith, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York

Mr. Rouse stated that the renewal of the authority granted at the last meeting of the executive committee to the Federal Reserve Bank of New York to effect transactions in the System account in his judgment would be adequate to meet the situation pending the next meeting of the committee.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the executive committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing

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maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary, in the light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; provided that the total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$1,000,000,000 exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

(2) To purchase direct from the Treasury for the System open market account such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$750,000,000.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

Thomas B. Lee, Jr.
Chairman.